



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT



METROPOLITAN
TRANSPORTATION
COMMISSION

May 21, 2018

Mary D. Nichols, Chairperson
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: MTC-BAAQMD Comments on the Proposed Beneficiary Mitigation Plan for the Volkswagen Environmental Mitigation Trust

Dear Chairperson Nichols:

Thank you for the opportunity to provide comments on the Proposed Beneficiary Mitigation Plan (the Proposal) for the Volkswagen Environmental Mitigation Trust (VW Appendix D). The Metropolitan Transportation Commission (MTC) and the Bay Area Air Quality Management District (BAAQMD) jointly offer the following comments on the proposal.

We appreciate the Proposal that the Air Resources Board (CARB) provided on April 20, 2018, which outlines the allocation strategy of the approximately \$423 million in funding for heavy duty NOx mitigation projects as established by the Volkswagen consent decree.

MTC and the BAAQMD have been working with our regional partners to identify policies and funding options that would fast-track greater deployment of zero-emission technologies in our region. Our agencies recognize that the technologies have come a long way in recent years, and increased funding could help to remove barriers to more widespread development and deployment.

While our agencies appreciate that zero-emission buses (ZEBs) are eligible for a major portion of the total funding, along with other critical zero-emissions technologies, and that funding will be distributed on a first-come, first-served basis, we suggest that the Proposal should be revised to address the following concerns:

- The Zero-Emission Transit, School, and Shuttle Buses category should be clarified to add that eligibility is extended to publicly owned vehicles or vehicles operated on behalf of public agencies;
- Eliminate or increase the 50% funding limit within the bus category to provide flexibility to fund the most cost-effective projects for any of the three bus types, such that the NOx mitigation benefits can be maximized;
- Provide flexibility for awardees to lock in funds awarded through this program for at least two years so sufficient time is available for procurements of zero-emission buses;
- Maximize flexibility for bus funds to be used for both vehicles and associated infrastructure (i.e., charging equipment, installation, etc.);
- Provide additional consideration for increased funding for hybrid ferry vessels operated as public transit; and

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- Address how the \$63 million in reserve funds will be allocated between administrative costs and the various project categories.

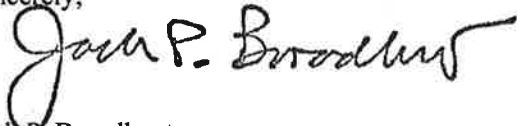
According to CARB's own analysis, public transit ZEBs achieve greater NOx reductions than school or shuttle buses since they operate over more miles and longer hours. Therefore, limiting the potential funding for this category limits the effectiveness of the program in achieving NOx reductions. Further, because transit bus procurements often take several years to execute (from bid to delivery of vehicle), operators need to be able to use the funds awarded to them for at least two years from the date of award. The ability to lock in these funds would provide stable and reliable funding for this important technology. Similarly, because other funding sources often provide funding for vehicles only, the flexibility to use these funds for the requisite infrastructure of the ZEB fleet is vitally important.

While our agencies appreciate the inclusion of zero-emission ferries among the eligible projects with a \$2.5 million allowance, zero-emission ferries are a novel technology and, for public transit ferry operators, not a viable option at this time. Those zero-emission ferry vessels on the market today are not known to be Buy America compliant, a requirement for use of Federal funds. Because the funds from this program would likely serve to supplement other funding sources, including Federal funds, zero-emission ferry vessels are not likely to be a viable or feasible project within the timeframe for which these funds will be available and spent. Therefore, we recommend that the proposal provide additional consideration of funding for hybrid ferry vessels, which are on the market, and which operators in the Bay Area have expressed an interest in procuring. As an example, hybrid ferries could be a first priority use of funds from the Reserve line.

Finally, our agencies have concerns about the large amount of Reserve funding (\$63 million) that also contains an unspecified amount for administrative costs. Administrative costs should be broken out separately, with an outline of how non-administrative Reserve funds would be distributed as needed.

MTC and BAAQMD look forward to continuing to work with CARB to implement this critical and unique investment opportunity. If you have questions about our comments please contact Glen Tepke at MTC (gtepke@mtc.ca.gov or (415) 778-6781) or Karen Schkolnick at BAAQMD (kschkolnick@baaqmd.gov or (415) 749-5070).

Sincerely,



Jack P. Broadbent
Executive Officer/Air Pollution Control Officer
Bay Area Air Quality Management District



Steve Heminger
Executive Director
Metropolitan Transportation Commission

CC: Richard Corey, Executive Officer, California Air Resources Board